

# **Exhibit 17**

 **REUTERS**

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# Clayton Holdings subpoenaed in subprime probe

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By **Patrick Rucker**

WASHINGTON (Reuters) - Mortgage loan analysis company Clayton Holdings Inc. CLAY.O has been subpoenaed by the New York State attorney general as part of an investigation into the subprime mortgage crisis, the company's president said on Friday.

The subpoenas were served "three weeks ago and we were not the only ones," Keith Johnson, the company's president and chief operating officer, said in an interview with Reuters.

Johnson said he understands the investigation is wide-ranging and involves many "due-diligence" companies that review mortgages for Wall Street firms before the loans are sold on as investments.

"All we are doing is giving them a bit of education and what goes on" in the due diligence process, Johnson said of his company's dealings with investigators.

A company spokesman said later that Clayton does not believe it is the target of the sweeping probe but that officials are cooperating with investigators.

A spokesman for the office of New York State Attorney General Andrew Cuomo said he could not comment on an ongoing investigation. In March, Cuomo said that his office was examining the subprime mortgage market.

Clayton is one of the nation's largest due-diligence companies hired by investment houses to make sure that blocks of loans conform to the seller's own standards. Investment houses may decide to either accept or reject a due-diligence company's opinion on the quality of mortgage loans.

Lenders relaxed their underwriting standards during the recent housing boom and Wall Street firms followed suit by easing their guidelines that due diligence companies followed, Johnson said. Those loosened loan standards allowed millions of subprime borrowers to win mortgages despite their shaky credit history.

"We were hired by the buyer. They can say 'I am buying these, or not,'" he said. "In hindsight, we got away from the roots which is saying 'This is a good loan that is going to pay and this is a bad loan.'"

During the height of the housing boom, investment houses often disregarded the views of their due-diligence firms and bought baskets of mortgages despite warnings because they did not want to lose business, other due-diligence executives said.

"Twelve months ago there was a lot of competition for newly originated loans and the buyer who would purchase more of the pool was more likely to win that bid. The choices sometimes were business choices," said Bruce Watterson, the president of Watterson Prime LLC of Bellevue, Washington. Watterson Prime is owned by Fidelity National Information Service Inc. (FIS.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), Watterson said.

Watterson said he has not been contacted by investigators.

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